

10-30-2020

Maine Economic and Business Outlook - Presented to Maine's Small Business Development Centers and Economic Development Organizations - October 30, 2020

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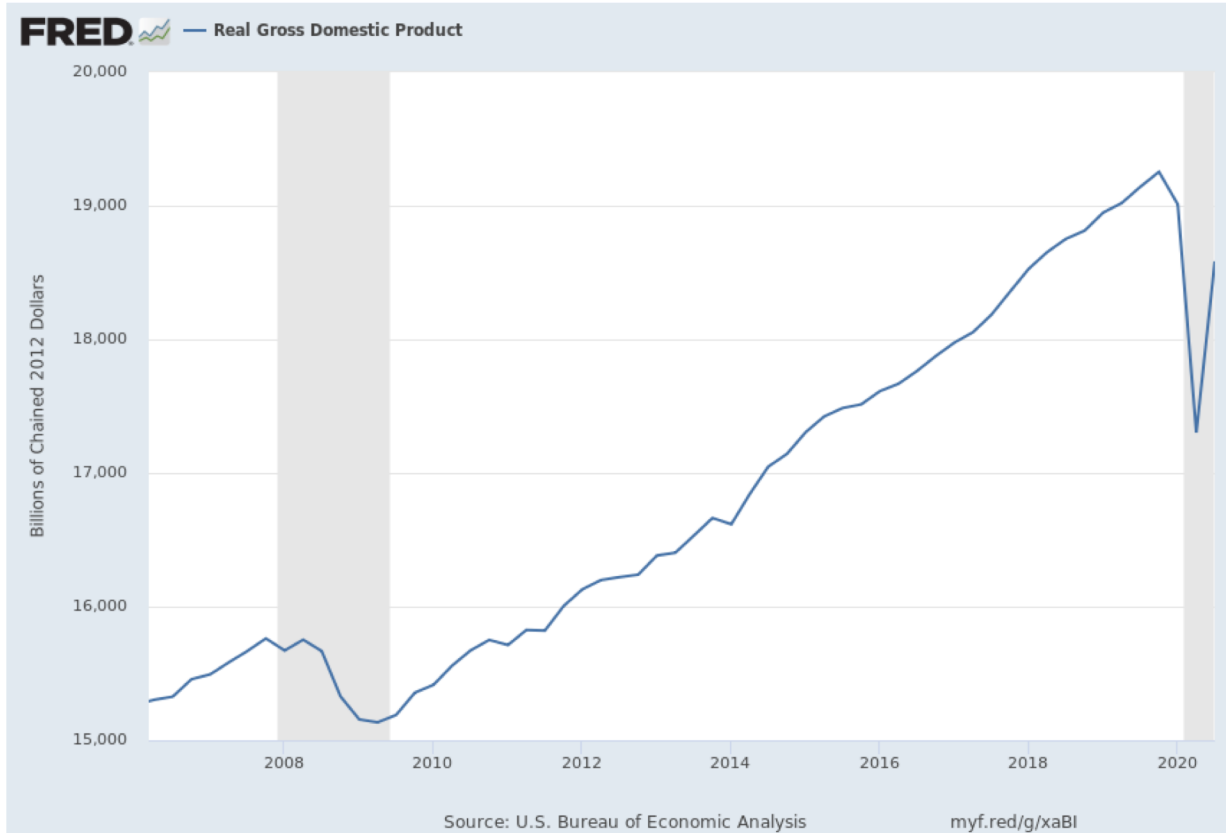
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Maine Economic and Business Outlook

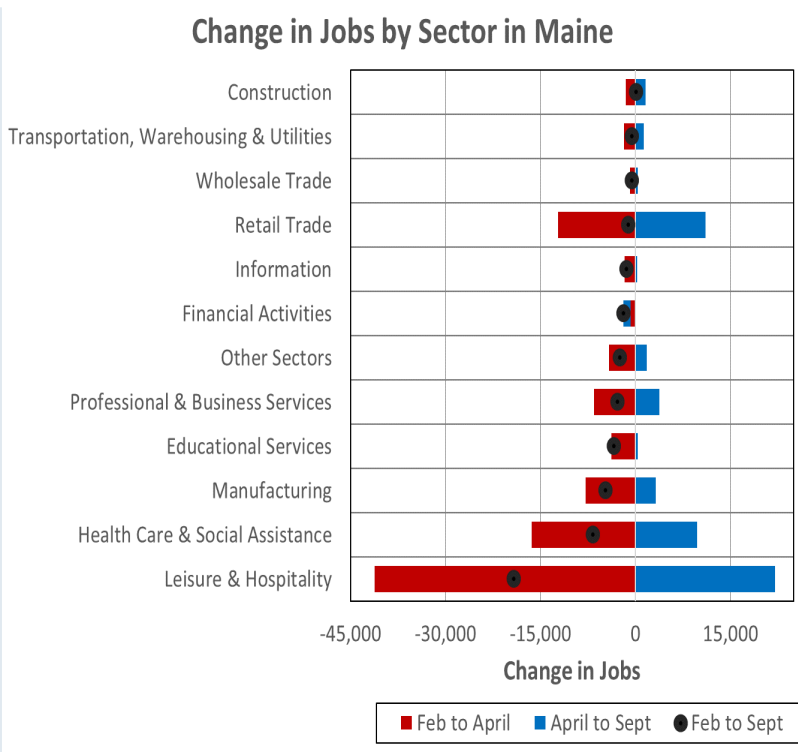
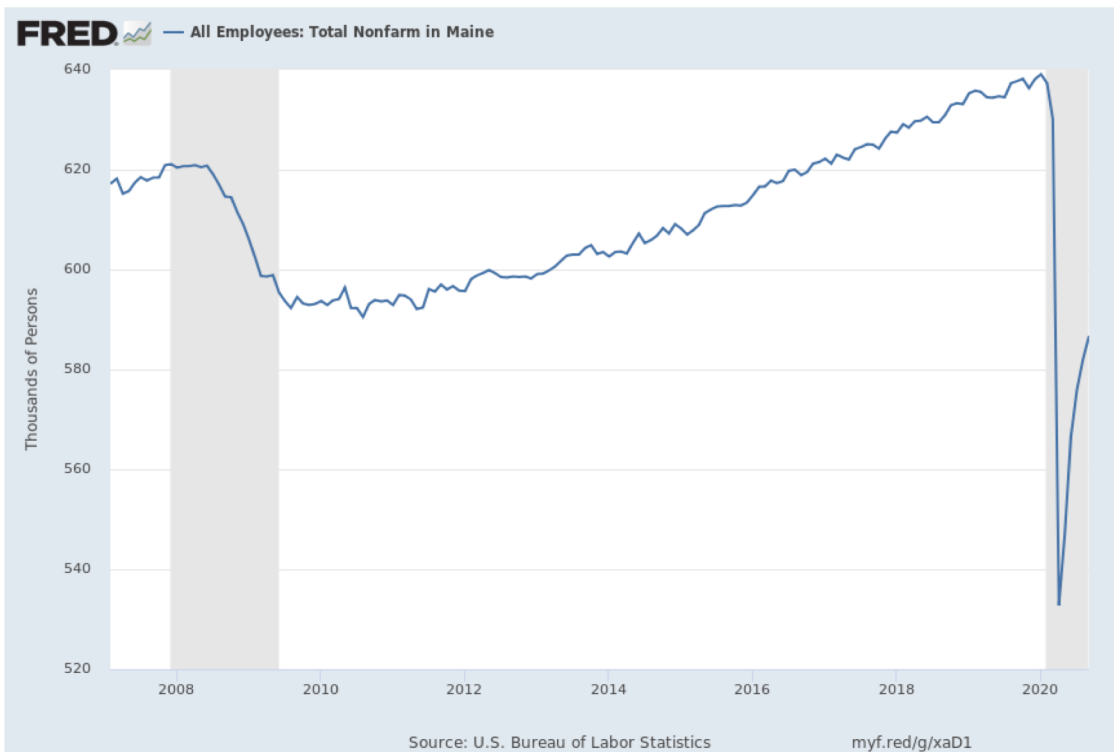
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Muskie School of Public Service

October 30, 2020

Third quarter US GDP estimates reflect rebound in consumer spending, private investment – federal and state stimulus. Long way to get back to level.



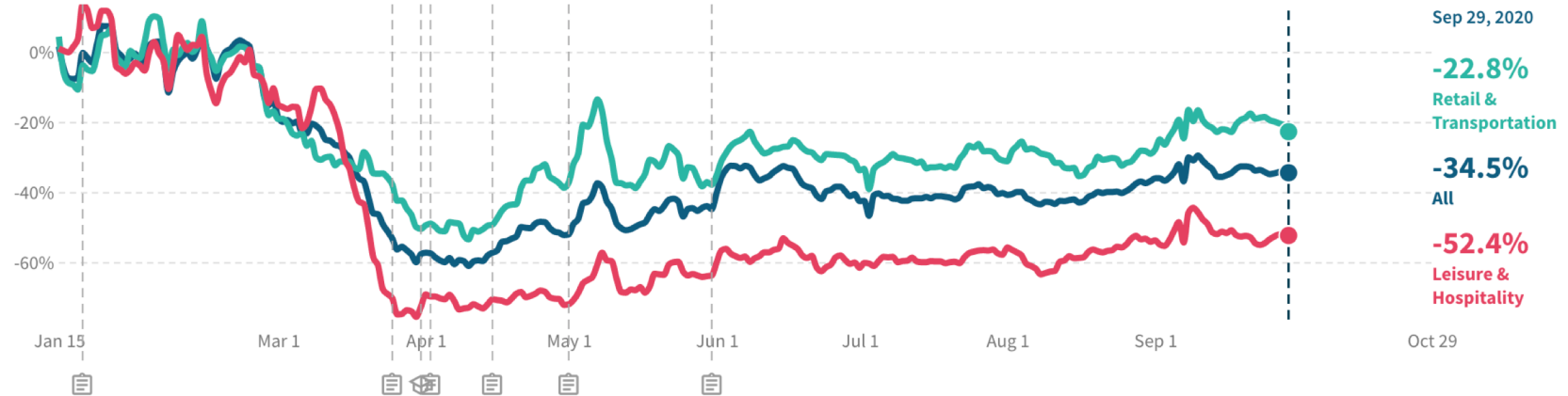
Employment levels in Maine are still off -8.7% from one year ago; Leisure & Hospitality, Health Care & Social Assistance, and Manufacturing still struggling to regain Feb 20 levels.



Source: Maine Center Workforce Research

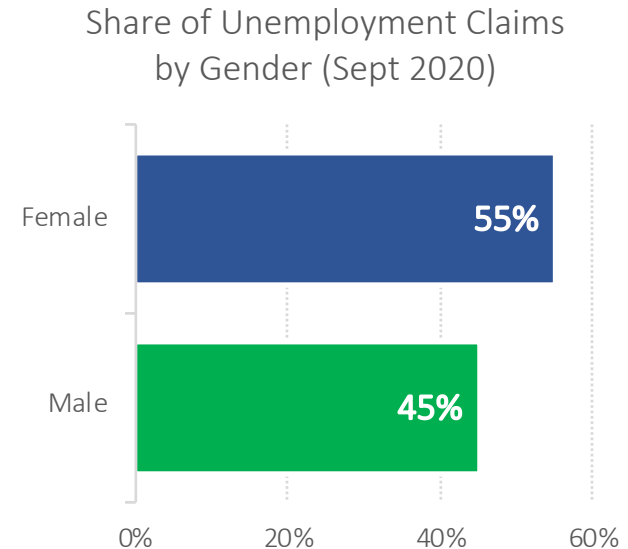
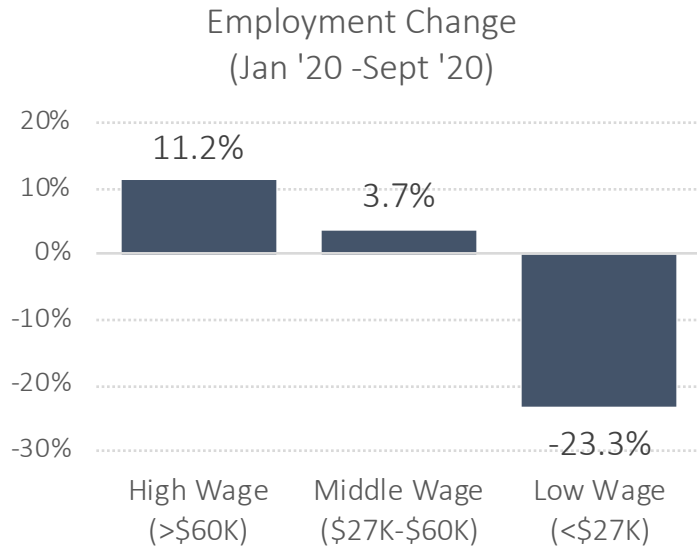
Small businesses revenues off; while new business applications appear up significantly over last year per IRS filings.

In **Maine**, as of September 29 2020, total small business revenue decreased by **34.5%** compared to January 2020.



Source: Opportunity Insights

Low wage workers in both high and low paying industries have borne almost the entire recession; female workers have also disproportionately been impacted.

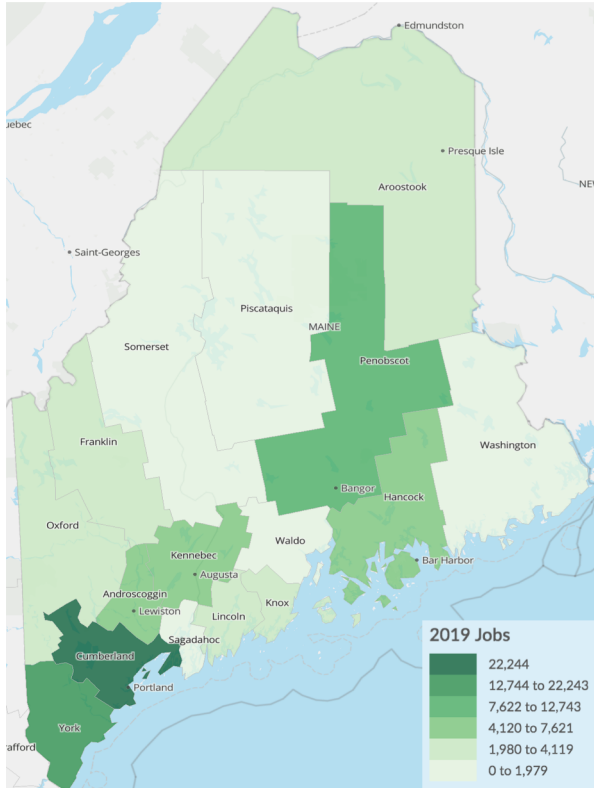


Source: Opportunity Insights

Source: Maine DOL, Center Workforce Research

Regional Impacts and Recovery tied to Industry Size and Composition

Tourism Regional Employment Size

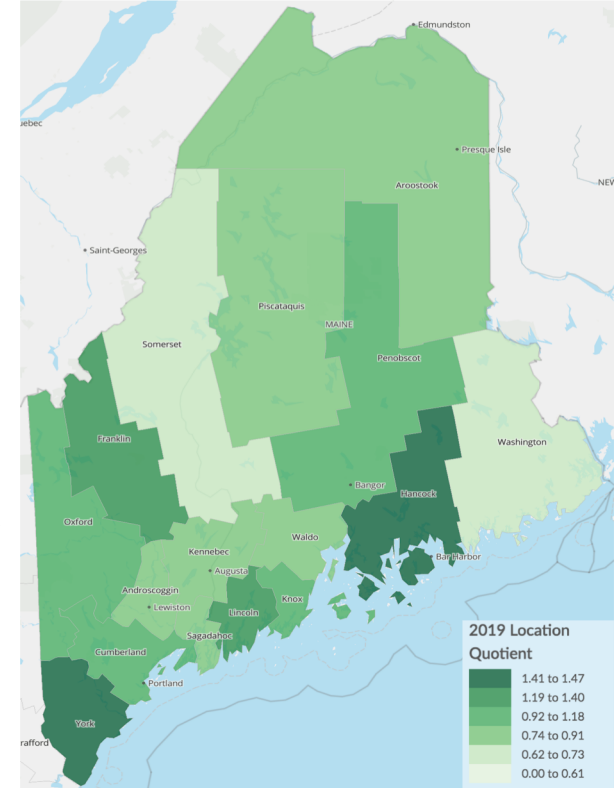


← **Size** of a sector (employment) in a region tells us where the magnitude of impacts are more likely to be felt.

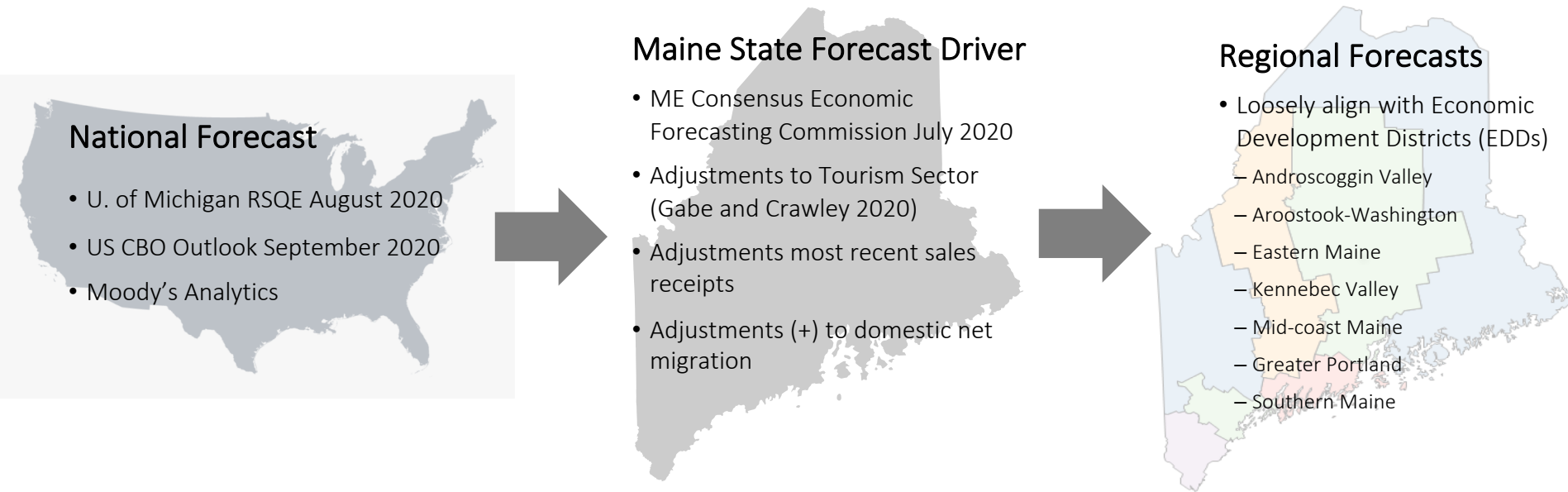
Concentration refers to a region's relative dependence on an industry as a share of its overall industry base and is more indicative of **the impact on REGIONS** and their ability to recover. →

Source: EMSI, 2020.2

Tourism Regional Concentration

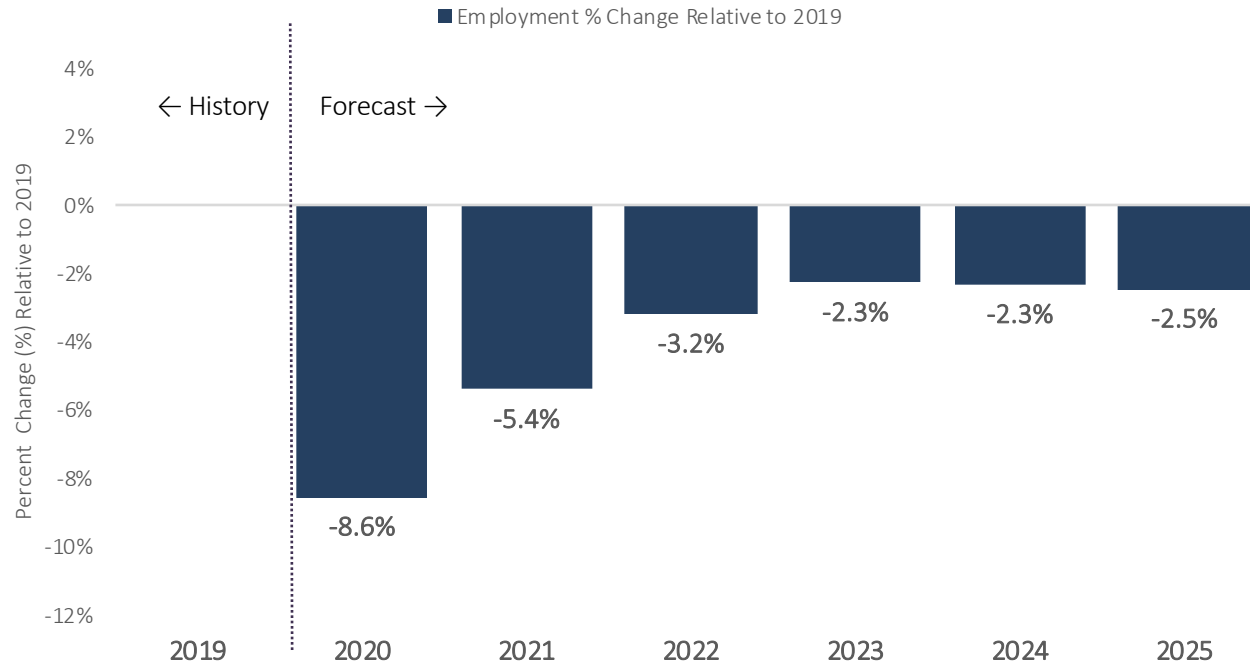


National and Statewide Forecasts used to drive Maine Regional Forecasts



Preliminary baseline forecasts. Updates and regional briefs will follow November following RSQE and CEFC updates.

Employment losses of 8.6% in 2020,
modest recovery in 2021 but tapering short of pre-pandemic employment levels 2023-2025



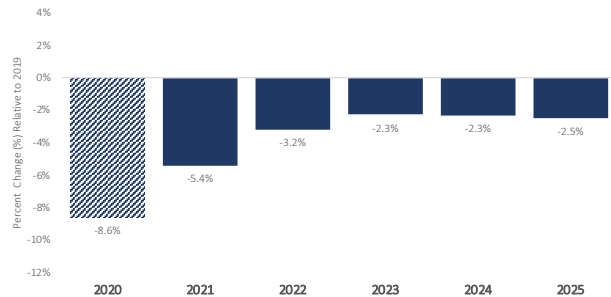
| | Employment (thousands) | Shutdown & Reopening | Recovery | | | | |
|-----------------------|---------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
| <u>Region</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
| Androscoggin Valley | 92.6 | -7.3% | -4.7% | -3.1% | -2.5% | -2.7% | -2.9% |
| Aroostook- Washington | 74.9 | -8.2% | -4.7% | -3.1% | -3.0% | -3.4% | -3.8% |
| Eastern Maine | 101.3 | -7.2% | -4.5% | -2.8% | -2.0% | -2.0% | -2.0% |
| Greater Portland | 233.0 | -9.1% | -6.0% | -3.1% | -1.7% | -1.6% | -1.8% |
| Kennebec Valley | 81.6 | -6.6% | -4.5% | -2.9% | -2.2% | -2.4% | -2.4% |
| Midcoast | 62.3 | -11.2% | -6.4% | -4.0% | -3.2% | -3.3% | -3.5% |
| Southern Maine | 91.8 | -10.2% | -6.2% | -3.8% | -2.5% | -2.4% | -2.5% |
| Statewide | 737.5 | -8.6% | -5.4% | -3.2% | -2.3% | -2.3% | -2.5% |

Employment ⊂ private sector non-farm wage & salary & self-employed (non-employer) in thousands

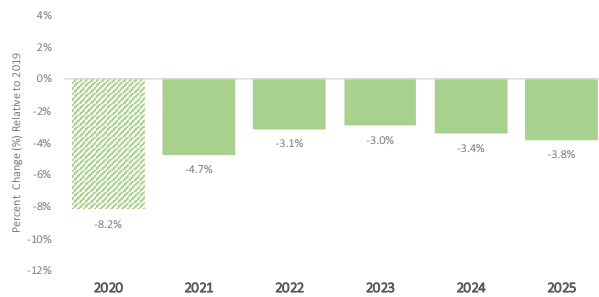
Key Takeaways:

- Midcoast & South ME suffer most severe impacts from pandemic.
- Greater Portland hard hit but fastest to recover.
- Kennebec Valley impact least severe, though smallest change in recovery.
- Aroostook-Washington and Midcoast anticipated to struggle most with recovery.

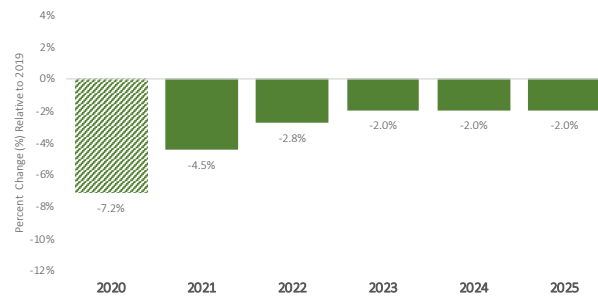
Maine



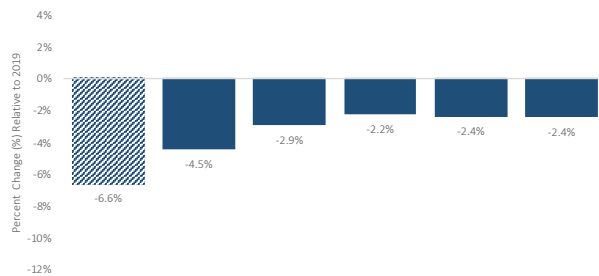
Northern Maine



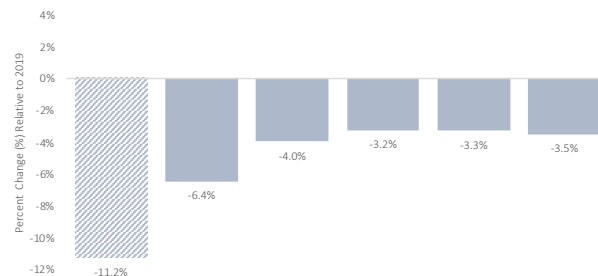
Eastern Maine



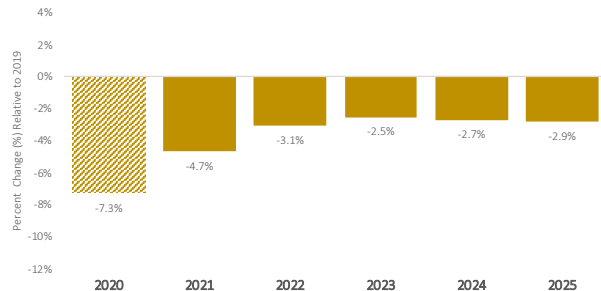
Kennebec Valley



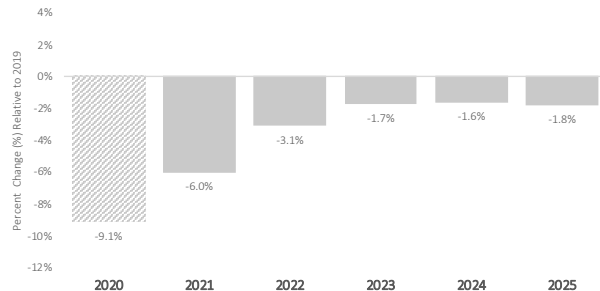
Midcoast



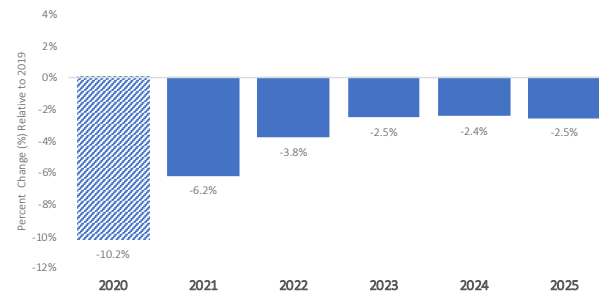
Androscoggin Valley



Greater Portland



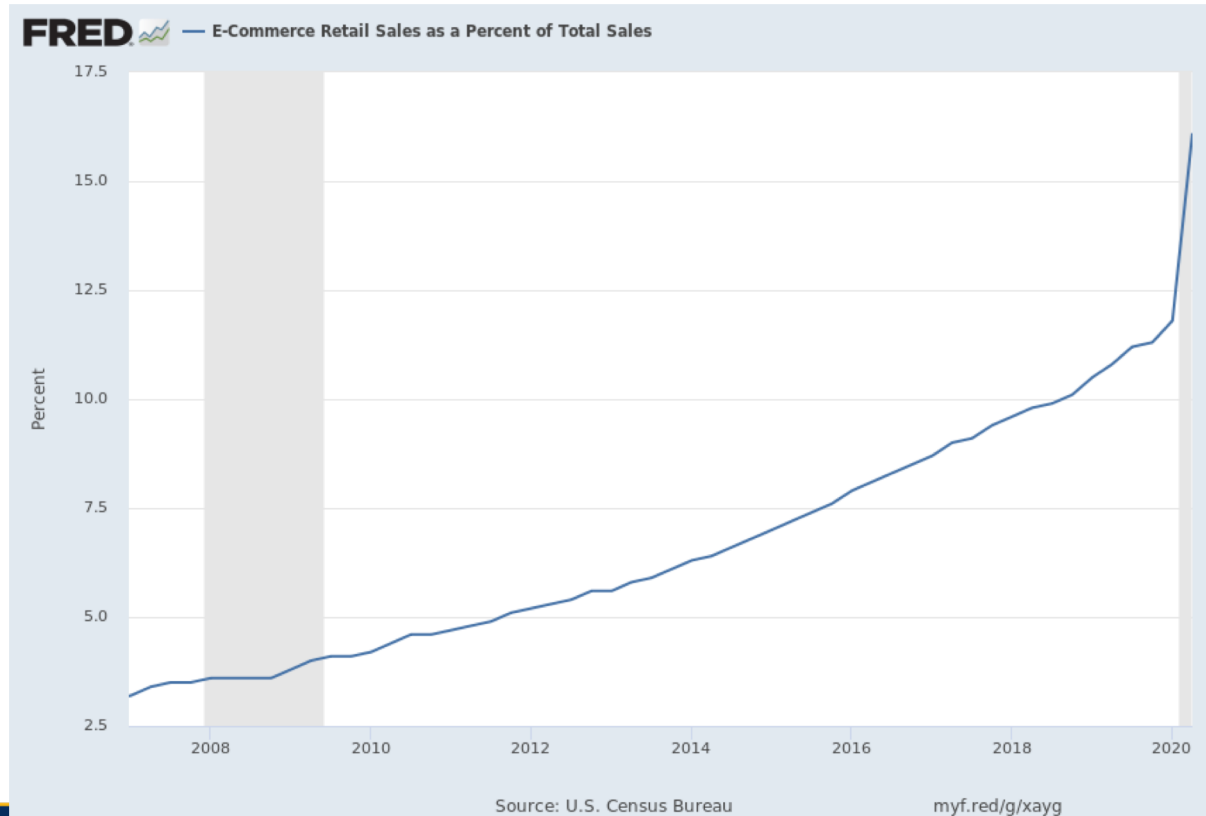
Southern Maine



Recovery will hinge on a variety of factors, with both statewide and region specific influences.

- + Virus resurgence and necessary public health measures; vaccine readiness.
- + Domestic/international trade flows and immigration and cross border people flows rebound.
- + Elephant in the Zoom - Implications of the election – different short-term trajectories (E.g. [Moody's Analytics](#), [Goldman Sachs](#))
- + These are BASELINE FORECASTS – do not account for on the ground response and recovery activities, infrastructure.

Accelerating shifts already underway: Already increasing online retail sales have spiked; impact on downtowns, small businesses, office RE



More permanent changes in remote work arrangements

- + About 37% - 39% of jobs are remote work amenable
 - + Shifts in technologies, growth in remote work of non-typical jobs (telehealth, e-learning) (Dingel and Neiman, 2020 & Wallace, 2019)
- + 36% - 40% of firms believe that 40% or more of workers that switched to remote, will continue after COVID-19. (Bartik et al, 2020)
- + Only 5% of companies expect a return to normal when the pandemic is over. (Global Workforce Analytics (GWA), 2020)
- + About half of workers indicated remote work options will change location decisions. (Owl Labs & GWA, 2020)
 - + 21% of workers would move to a suburban or rural area outside their current region

The implications of remote work for Maine communities and businesses

- + In-state firms access external labor pools
 - + Hire and employ workers remotely
- + In-migration of population
 - + Remote workers have locational flexibility in where to locate
 - + Attracted to social and familial connections and natural amenities
 - + Offers employment continuity/bridge to future brick and mortar opps
- + Connect residents with economic opportunities outside local / state
 - + Keep people in place, bolster prospects for rural or displaced residents

COVID-19 has brought to light and emphasized...

- + Importance of digital literacy
 - + Business Owners, Entrepreneurs, & the Workforce
- + Connectivity and broadband infrastructure investments
- + Important of community, social interactions, social capital



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COVID-19 Resources

With funding from the [US Economic Development Administration](#) through the US CARES Act of 2020, CBER is providing a pool of resources, analysis, and technical assistance to Maine's businesses, communities, and policymakers supporting the response and recovery to the coronavirus pandemic (COVID-19). Please find an evolving collection of resources below. These resources are intended to compliment and not replace other economic and labor market data and analysis provided by state agencies and other outlets in Maine. If you have questions, ideas, or would like to be connected with one of our experts, please contact us at usmcber@maine.edu. Thank you for visiting.

Critical Insights

CBER's network of Maine-based experts provide critical insights and share relevant research and information related to the impacts and implications of COVID-19 to Maine's economies, communities, and workforce. To access research papers and commentary click on [Critical Insights](#).

Regional Economic Forecasts and Analysis

In partnership with the 7 economic development districts (EDDs) in the state, CBER conducts semi-annual and other period updates to regional economic forecasts of the state and EDD regions. The Center also conducts region specific analysis and prepares updated regional economic, demographic, and labor market profiles. Access them by clicking on [Regional Economic Forecasts and Analysis](#).

Remote Work & Regional Development

COVID-19 has disrupted economic and social life across the state and nation and has had significant implications for how work and commerce is conducted and how communities function. Abruptly, roughly half of the US workforce shifted to working remotely while nonessential businesses and were forced to innovate business



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